



NRUC
CORPORATION

100 NORTH TWENTIETH STREET
SECOND FLOOR
PHILADELPHIA, PA 19103
215•569•2220

8/13/87
10.00
ICC Washington, D. C.

1 5287
RECORDATION NO. Filed 142b

AUG 13 1987 - 11 25 AM
INTERSTATE COMMERCE COMMISSION

August 12, 1987

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Dear Ms. McGee:

Enclosed for recordation are one original and one copy of a Lease Agreement between:

Lessee: Paducah and Louisville Railway
1500 Kentucky Ave
Paducah, KY 42001

Lessor: NRUC Corporation
Transportation Division
100 North 20th Street
Phila., Pa 19101

This is a lease only and Paducah and Louisville Railway has no other interest in the equipment.

Sincerely,

Charles C. Craft, Jr.
Charles C. Craft, Jr.
Vice President - Marketing

CCC/pm

Completed - Larry Smith

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

8/13/87

Charles C. Craft
Vice President-Marketing
NRUC Corporation
100 North 20th St. 2nd.Fl.
Phila. PA. 19103
Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 8/13/87 at 11:25am, and assigned recordation number(s). 15287

Sincerely yours,

Noreta R. McGee
Secretary

Enclosure(s)

SE-30
(7/79)



NRUC
CORPORATION

100 NORTH TWENTIETH STREET
SECOND FLOOR
PHILADELPHIA, PA 19103
215•569•2220

August 18, 1987

Ms. Noreta R. McGee
Secretary
Interstate Commerce Commission
Washington, DC 20423
Attention: Mrs. Mildred Lee

Dear Mrs. Lee:

Enclosed is a notarized copy of the Lease Agreement recorded August 13, 1987. Please forgive me for any inconvenience this may have caused you.

Cordially,

Charles
Charles C. Craft, Jr.
Vice President - Marketing

CCC/pm
enclosure

1 5287
RECORDATION NO. Filed 1426

AUG 13 1987 - 11 25 AM

LEASE AGREEMENT

INTERSTATE COMMERCE COMMISSION

THIS LEASE AGREEMENT, made as of this 1st day of August, 1986 between NRUC TRANSPORTATION DIVISION, a South Carolina Corporation, located at 100 North Twentieth Street, Second Floor, Philadelphia, Pennsylvania 19103, (hereinafter referred to as "Lessor" or "NRUC") and the PADUCAH AND LOUISVILLE RAILROAD COMPANY, a Kentucky Corporation, located at 1500 Kentucky Avenue (hereinafter referred to as "Lessee" or "PAL")

R E C I T A L S :

Lessor desires to let to Lessee and Lessee desires to lease from NRUC as Lessor certain railroad cars upon the terms and conditions set forth in this Lease.

NOW, THEREFORE, it is agreed as follows:

1. Lease Cars. NRUC agrees to lease to Lessee and Lessee agrees to and does hereby lease from NRUC railroad cars of the number of units, model, type, construction and such other description (hereinafter referred to as the "Cars") as is set forth in Schedule 1 attached hereto and by this reference made a part hereof.

2. Delivery of Cars. NRUC shall, at NRUC's sole cost and expense, change markings of Cars to Lessee's markings before delivery and deliver Cars to Lessee. The remarking cost will be fifty dollars per car to Lessee. Delivery will be effected at time of actual placement for first load or after interchange receipt by Lessee, whichever occurs first. Lessor shall recover remarking cost prior to revenue sharing.

3. Use and Possession. Throughout the continuance of this Lease so long as Lessee is not in default hereunder, Lessee shall be entitled to possession of each Car from the date the Lease becomes effective as to such Car and shall use such Car on its own property or lines or in the usual interchange of traffic; provided, however, that Lessee agrees that the Cars shall at all times be used (i) in conformity with Interchange Rules, and (ii) in compliance with the terms and provisions of this Lease. Lessee shall use its best efforts to maximize off-line utilization of Cars and give the Cars in the Lease preferential loading.

4. Term. The lease term shall commence on the date provided in Paragraph 2 and shall terminate upon expiration of the lease term specified in Schedule 1, unless sooner terminated in accordance with the provisions of this Lease.

5. Rental Per Car. Rental per Car shall be in accordance with Schedule 1, provided, however, Lessee shall deduct from said

rental the cost of all repairs made to said Cars by Lessee or by other railroads and paid to said other railroads by Lessee, in the event NRUC fails to reimburse Lessee the cost of said repairs within 30 days of receipt of bills for said repairs.

6. Payment. Lessee shall collect all car-hire revenues with respect to the Cars in connection with the use of the Cars by other railroads and shall pay to Lessor 60 percent (60%) of the amount of such collected revenues. Such payments shall be made monthly, within 60 days following the end of the month in which such revenues were earned, to the Chief Car Accountant, NRUC, P.O. Box 216, 402 Cedar Rock Street, Pickens, South Carolina 29671. In addition, a report will accompany the payment which will specify the earnings by car numbers. Lessor shall have the right to audit the cash collection records of the Cars upon written request and only during normal business hours of the Lessee.

7. Title. Lessee shall not by reason of this Lease or any action taken hereunder acquire or have any title in the Cars.

8. Repairs. All repairs and maintenance work on Cars shall be for the account of NRUC. Lessee may return Cars to NRUC upon thirty days' notice if Cars are not maintained by NRUC in good working condition, with roofs, floors, lining and doors of said Cars being maintained in Class A condition, as said class is defined in Paragraph 7, Rule 1 of the Field Manual of the Interchange Rules adopted by the Association of American Railroads, effective January 1, 1982, as amended effective July 1, 1982.

9. Liens. Lessee shall keep the Cars free from any and all encumbrances or liens in favor of anyone claiming by, through or under Lessee which may be a cloud upon or otherwise affect NRUC's title, including, but not limited to, liens or encumbrances which arise out of any suit involving Lessee, or any act or omission of Lessee or Lessee's failure to comply with the provisions of this Lease, and Lessee shall promptly discharge any such lien, encumbrance or legal process.

10. Indemnities--Patent Covenants. Lessee agrees to indemnify NRUC and hold it harmless from any loss, expenses or liability which NRUC may suffer or incur from any charge, claim, proceeding, suit or other event which in any manner or from any cause arises in connection with the use, possession or operation of a Car while subject to this Lease, excepting only any such loss, expense or liability which arises from NRUC's negligence. NRUC agrees to indemnify Lessee and save it harmless against any charge, loss, claim, suit, expense or liability arising out of or on account of the use or incorporation by NRUC of any invention or the infringement of any patents, except if such invention was used or incorporated by reason of Lessee's specifications. The term "NRUC" shall mean and include any subsidiary, parent or affiliated corporation for all purposes of this Paragraph 10. Lessee's indemnity shall not eliminate the rights given Lessee under any manufacturer's warranty

assigned to it. The indemnities and assumption of liability herein contained shall survive the termination of this Lease. Each party shall, upon learning of same, give the other prompt notice of any claim or liability hereby indemnified against.

11. Lettering--Inventory. At NRUC's election all Cars may be marked at NRUC's sole cost and expense, to indicate the rights of NRUC, or any assignee mortgagee, trustee, pledgee or security holder of NRUC or a lessor to NRUC and may bear the following inscription: "Title to this Car subject to documents recorded under Section 11303 of the Interstate Commerce Act". Except for renewal and maintenance of the aforesaid lettering or lettering indicating that the Car is leased to the Lessee or to a sublessee, no lettering or marking (other than Lessee's reporting marks) shall be placed upon any of the Cars. Lessee will not remove or change the reporting marks and numbers of Cars. NRUC may at its own cost and expense inspect the Cars from time to time wherever they may be, and Lessee shall, upon request of NRUC, but not more than once every year, furnish to NRUC its certified inventory of all Cars then covered by this Lease.

12. Loss, Theft or Destruction of Cars. In the event any Car is lost, stolen, destroyed or damaged beyond economic repair as a result of any act or omission not attributable to Lessor, Lessee shall, within five days of its knowledge thereof, by written notice, fully advise NRUC of such occurrence. Lessee shall, within forty-five days after demand by NRUC, promptly make payment to NRUC in the amount as prescribed by the Association of American Railroads. Upon notification of same, upon mutual consent of both parties, a Car of equivalent type, condition and value may be substituted in the lease agreement.

13. Early Termination. In the event the off-line utilization for the Cars in this Lease is less than thirty-five (35%) percent in any calendar quarter, Lessor at its option and upon thirty days written notice to Lessee may terminate this agreement in its entirety or remove the number of Cars necessary to bring the overall utilization to thirty-five (35%) percent. Lessee, however may elect to pay to Lessor the amount necessary to bring the overall utilization to thirty-five (35%) percent by providing written notice to Lessor within ten (10) days from receipt of termination notice from Lessor.

14. Right of Substitution. Lessor reserves the right to substitute cars of similar design and quality at Lessor's election. Cars replaced shall be deemed to be subject to all of the terms and conditions of the Lease Agreement.

15. Return of Cars. Upon the expiration or termination of this Lease, Lessee shall provide a final load for the cars. Each Car so surrendered shall be in the same or as good condition, order and repair as when delivered to Lessee, wear and tear from ordinary use and the passage of time excepted. PAL shall, at PAL's sole cost and expense, upon surrender of said Cars as herein provided, remove

Lessee's markings from said Cars and place new car marks per the written instructions of NRUC. NRUC will pay the Lessee fifty (50.00) dollars per car for performing this service. The XM mechanical designation of Cars shall not be changed during the term of this agreement.

16. Default. If Lessee shall fail to make any payment required hereunder within sixty (60) days after same shall have been received by Lessee from other carriers or shall default or fail for a period of thirty (30) days after notice thereof in the due observance or performance of any covenant, condition or agreement required to be observed or performed on its parts hereunder, or if a proceeding shall have been commenced by or against Lessee under any bankruptcy laws, Federal or State, or for the appointment of a receiver, assignee or trustee of Lessee or its property, or if Lessee shall make a general assignment for the benefit of creditors, then and in any of said events NRUC may at its election terminate this Lease by written notice to such effect, and retake the Cars.

17. Sublease and Assignment. The right to assign this Lease by either party and the Lessee's right to sublease shall exist only as follows:

(a) Lessee shall have no right to assign or sublease or loan any of the Cars without the prior written consent of NRUC, which consent shall not be unreasonably withheld, provided, however, that Lessee shall have the right to sublease any of the Cars to its affiliates (without being released from the obligations hereunder). Any such sublease shall be upon terms which are in compliance with all applicable regulations and laws and all terms and conditions of this Lease.

(b) All rights of NRUC hereunder may be assigned, pledged, mortgaged, transferred or otherwise disposed of either in whole or in parts with notice to Lessee. This Lease and Lessee's rights hereunder are and shall be subject and subordinate to any lease to NRUC, chattel mortgage, security agreement or equipment trust or other security instrument covering the Cars heretofore or hereafter created by NRUC provided only that so long as Lessee is not in default under the Lease, Lessee shall be entitled to the peaceful and quiet possession of the Cars. If NRUC shall have given written notice to Lessee stating the identity and post office address of any assignee entitled to receive future rentals and any other sums payable by Lessee hereunder, Lessee shall thereafter make such payments to the designated assignee. The making of an assignment or sublease by Lessee or an assignment by NRUC shall not serve to relieve either such party of any liability or undertaking hereunder nor to impose any liability or undertaking hereunder upon any such assignee or subleasee except as otherwise provided herein or unless expressly assumed in writing by such subleasee or assignee.

18. Notice. Any notice required or permitted to be given pursuant to the terms of this Lease shall be properly given when made

in writing, deposited in the United States mail, registered or certified, postage prepaid, addressed to:

NRUC at:

100 North Twentieth Street
Second Floor - Suite 200
Philadelphia, Pennsylvania 19103

Lessee at:

1500 Kentucky Avenue
Paducah, Kentucky 42001
Attn: W.O. Albritton

or at such other addresses as NRUC may from time to time designate by such notice in writing to Lessee at the address above or any such other address as Lessee may from time to time designate by notice in writing.

19. Severability--Waiver. If any term or provision of this Lease or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each provision of this Lease shall be valid and be enforced to the fullest extent permitted by law. Failure of either party to exercise any rights hereunder shall not constitute a waiver of any such right upon the continuation or recurrence of the situation or contingency giving rise to such right.

20. Definitions. For all purposes of this Lease the following terms shall have the following meaning:

(a) Interchange--all codes, rules, interpretations, laws or orders governing hire, use, condition, repair and all other matters pertaining to the interchange of freight traffic reasonably interpreted as being applicable to the Cars, adopted and in effect from time to time by the Association of American Railroads and any other organization, association, agency, or government authority, including the Interstate Commerce Commission and the United States Department of Transportation, which may from time to time be responsible for or have authority to impose such codes, rules, interpretations, laws or orders.

(b) Repair and Maintenance Work--all repairs, maintenance, modifications, additions or replacements required to keep and maintain the Cars in good working order and repair in accordance with and on the effective date of the requirements of all Interchange Rules and preventive maintenance necessary to keep and maintain the Cars in good working order and repair.

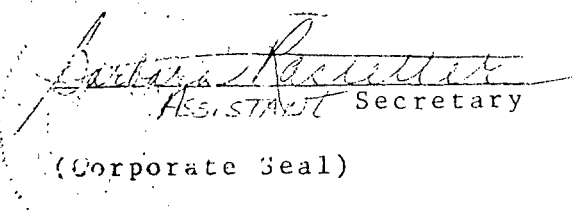
21. Benefit. Except as otherwise provided herein, the covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the parties and (to the extent permitted in Paragraph 17 hereof) their successors and assigns. Without limiting the generality of the foregoing, the indemnities of the Lessee contained in Paragraph 10 hereof shall apply to and inure to

the benefit of any assignee of NRUC, and if such assignee is a trustee or secured party under an indenture under which evidence of indebtedness has been issued in connection with the financing of the Cars, then also to the benefit of any holder of such evidence of indebtedness.

22. Taxes. All property taxes which, from time to time, during the lease term, shall be assessed against the Cars, shall be paid by Lessor for the account of PAL. PAL shall reimburse Lessor for such tax payments within thirty (30) days of receipt of Lessor's billing for such tax payments.

ATTEST:

NRUC TRANSPORTATION DIVISION


Barbara Reschler
 ASSISTANT Secretary

(Corporate Seal)

By: Robert Z. Shiner
 PRESIDENT

ATTEST:

PADUCAH AND LOUISVILLE RAILROAD CO.

E. H. Clark
 Secretary

(Corporate Seal)

By: James E. Johnson
 President

SCHEDULE 1

Description of Cars: All Cars will have the following specifications:

- 50'6" 70 ton XM boxcars
- 6 x 11 journal and roller bearing axles
- rigid underframes
- nailable steel floors
- steel interior sides
- capacity in excess of 5,000 cubic/feet
- carry the mechanical designation Plate "B" or Plate "C"

Number of Cars: Serial Numbers: PAL 701100 through Pal 701299

Lease Term: Two years (24 months)

Rent: Rental to NRUC shall be computed as 60% of net off-line car hire per diem earnings plus 60% net off-line car hire mileage earnings. 40% of net off-line car hire per diem and mileage shall be retained by Lessee.

Lessee's Obligation: Lessee shall be responsible for any and all damage to the Cars in this Lease while said Cars are on the tracks of Lessee. Such cost will be borne solely and exclusively by Lessee regardless of origin of damage.

NRUC TRANSPORTATION DIVISION

By: Robert F. Shiner
PRESIDENT

PADUCAH AND LOUISVILLE RAILROAD CO.

By: James E. Johnson

SCHEDULE II

Delivery of Cars

NRUC agrees to assume all costs and expense in changing markings of cars to Lessee's marking before delivery and deliver cars to Lessee on all cars which Lessee arranges for movement of cars under Rule 5 of AAR Circular No. OT-10 or free over lines of Illinois Central Gulf Railroad or any other railroad which has a direct interchange point with Lessee.

We agree with the terms of Schedule II and agree to making Schedule II and Attachment thereto a part of the contents of NRUC Lease of July 25, 1986, with the Paducah & Louisville Railway, Inc.

Paducah & Louisville Railway, Inc.

By: James E. Johnson

Date Aug 27, 1986

NRUC Transportation Division

By: Robert L. Shinn

Date August 25, 1986

Sworn to and subscribed before me
this 17th day of August 1987

Barbara Ann Rastetter

BARBARA ANN RASTETTER
Notary Public, Phila., Phila. Co.
My Commission Expires April 14, 1990